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Report Highlights: Total imports of wheat in 1999/2000 are expected to increase due to a reduced 1999 crop. Italian bread wheat planted area for the 2000 crop declined further, due to adverse weather last fall. Export opportunities for both U.S. bread and durum wheat still remain fairly good. Corn area is expected to increase 10% , mainly due to shifts from sugar beets and winter grains. Italy's flour exports are declining as traditional markets expand local milling capacity; pasta exports to the U.S. are also expected to decrease, with some production having been moved to the U.S.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

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PSD TABLES

WHEAT

PSD Table						
Country	Italy					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	2305	2305	2350	2342	0	2323
Beginning Stocks	750	750	850	850	850	850
Production	7939	7939	7300	7341	0	7250
TOTAL Mkt. Yr. Imports	6229	6229	6600	6700	0	6800
Jul-Jun Imports	6229	6229	6600	6700	0	6800
Jul-Jun Import U.S.	516	516	600	620	0	620
TOTAL SUPPLY	14918	14918	14950	14891	850	14900
TOTAL Mkt. Yr. Exports	3114	3114	3000	2900	0	2850
Jul-Jun Exports	3114	3114	3000	2900	0	2850
Feed Dom. Consumption	1070	1070	1200	1200	0	1250
TOTAL Dom. Consumption	10954	10954	11100	11141	0	11200
Ending Stocks	850	850	850	850	0	850
TOTAL DISTRIBUTION	14918	14918	14950	14891	0	14900

WHEAT DURUM

PSD Table						
Country	Italy					
Commodity	Wheat, Durum				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Harvested	1607	1607	1650	1642	0	1668
Beginning Stocks	400	400	500	500	500	500
Production	4500	4500	4100	4100	0	4200
TOTAL Mkt. Yr. Imports	1105	1105	1400	1400	0	1300
Jul-Jun Imports	1105	1105	1400	1400	0	1300
Jul-Jun Import U.S.	208	208	300	270	0	270
TOTAL SUPPLY	6005	6005	6000	6000	500	6000
TOTAL Mkt. Yr. Exports	1840	1840	1800	1800	0	1800
Jul-Jun Exports	1840	1840	1800	1800	0	1800
Feed Dom. Consumption	100	100	50	50	0	50
TOTAL Dom. Consumption	3665	3665	3700	3700	0	3700
Ending Stocks	500	500	500	500	0	500
TOTAL DISTRIBUTION	6005	6005	6000	6000	0	6000

CORN

PSD Table						
Country	Italy					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	940	969	1010	1031	0	1130
Beginning Stocks	800	800	600	600	850	850
Production	8600	8600	10000	9996	0	1080
TOTAL Mkt. Yr. Imports	1276	1276	300	500	0	200
Oct-Sep Imports	1300	1442	300	500	0	200
Oct-Sep Import U.S.	12	12	15	12	0	12
TOTAL SUPPLY	10676	10676	10900	11096	850	11850
TOTAL Mkt. Yr. Exports	36	36	10	100	0	200
Oct-Sep Exports	30	26	10	100	0	300
Feed Dom. Consumption	9000	9000	9000	9150	0	9500
TOTAL Dom. Consumption	10040	10040	10000	10146	0	10650
Ending Stocks	600	600	800	850	0	900
TOTAL DISTRIBUTION	10676	10676	10900	11096	0	11850

BARLEY

PSD Table						
Country	Italy					
Commodity	Barley				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	363	363	352	349	0	345
Beginning Stocks	100	100	100	100	100	100
Production	1379	1379	1300	1329	0	1300
TOTAL Mkt. Yr. Imports	561	561	600	600	0	600
Oct-Sep Imports	550	607	600	600	0	600
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	2040	2040	2000	2029	100	2000
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	1600	1600	1500	1500	0	1500
TOTAL Dom. Consumption	1940	1940	1900	1929	0	1900
Ending Stocks	0	100	100	100	0	100
TOTAL DISTRIBUTION	2040	2040	2000	2029	0	2000

OATS

PSD Table						
Country	Italy					
Commodity	Oats				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		07/1998		07/1999		07/2000
Area Harvested	140	140	0	143	0	140
Beginning Stocks	40	40	40	40	0	40
Production	280	280	0	346	0	350
TOTAL Mkt. Yr. Imports	70	70	0	30	0	30
Oct-Sep Imports	70	70	0	30	0	30
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	390	390	40	416	0	380
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	310	310	0	335	0	300
TOTAL Dom. Consumption	350	350	0	376	0	340
Ending Stocks	40	40	0	40	0	40
TOTAL DISTRIBUTION	390	390	0	416	0	380

RICE

PSD Table						
Country	Italy					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		09/1998		09/1999		09/2000
Area Harvested	233	223	221	221	0	220
Beginning Stocks	111	111	133	133	252	178
Milled Production	808	863	843	850	0	840
Rough Production	1308	1349	1365	1319	0	1300
MILLING RATE (.9999)	6176	6176	6176	6176	0	0
TOTAL Imports	20	24	20	20	0	20
Jan-Dec Imports	33	33	20	20	0	20
Jan-Dec Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	949	998	996	1003	252	1038
TOTAL Exports	500	590	480	550	0	550
Jan-Dec Exports	557	557	480	550	0	550
TOTAL Dom. Consumption	290	275	290	275	0	275
Ending Stocks	159	133	252	178	0	213
TOTAL DISTRIBUTION	949	998	1022	1003	0	1038

LENTILS

PSD Table						
Country	Italy					
Commodity	Lentils				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Harvested	1	1	0	1	0	1
Beginning Stocks	2	2	0	2	2	2
Production	1	1	0	1	0	1
TOTAL Mkt. Yr. Imports	26	23	0	24	0	24
Jul-Jun Imports	26	23	0	24	0	24
Jul-Jun Import U.S.	4	4	0	4	0	4
TOTAL SUPPLY	29	26	0	27	2	27
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	27	24	0	25	0	25
Ending Stocks	2	2	0	2	0	2
TOTAL DISTRIBUTION	29	26	0	27	0	27

BEANS

PSD Table						
Country	Italy					
Commodity	Beans				(1000 HA)(1000 MT)	
	Revised	1998	Preliminary	1999	Forecast	2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Harvested	7	7	0	7	0	7
Beginning Stocks	5	5	0	5	5	5
Production	0	9	0	8	0	7
TOTAL Mkt. Yr. Imports	75	74	0	75	0	75
Jul-Jun Imports	75	74	0	75	0	75
Jul-Jun Import U.S.	20	22	0	22	0	22
TOTAL SUPPLY	89	86	0	88	5	88
TOTAL Mkt. Yr. Exports	1	3	0	1	0	1
Jul-Jun Exports	1	3	0	1	0	1
Feed Dom. Consumption	1	0	0	0	0	0
TOTAL Dom. Consumption	83	79	0	82	0	82
Ending Stocks	5	4	0	5	0	5
TOTAL DISTRIBUTION	89	86	0	88	0	88

SECTION I. SITUATION AND OUTLOOK

PRODUCTION

Despite a temporary upturn in 1999, the downward trend of Italian bread wheat area will continue this year. This long-term trend is mainly due to decreased interest by most growers, who are increasingly attracted by alternative, more profitable crops, like corn and soybeans in the north, and durum wheat and sunflower seeds in central Italy (bread wheat plantings are virtually non-existent in the south). This year adverse weather reported last fall contributed to an almost 7 percent area decline with excessive, and prolonged rains preventing many growers from completing planting operations. This was particularly true in the Emilia-Romagna region, where most of the area reduction is reported. According to office contacts, only full implementation of the farm policy measures included in Agenda 2000, unifying the aids per hectare for winter grains and oilseeds, could make bread wheat more appealing in the medium term.

Plantings for barley, too, are preliminarily estimated to decrease slightly, continuing a long-term downward trend due to low farmer interest in these crops, while oat plantings remain stagnant.

After last year's expansion, corn area is expected to rise this year by almost 10 percent, approaching a new record high level. Reportedly, the 50,000 hectares in decline in bread wheat area in the Po Valley will be planted in corn this spring. In addition, the expected area decrease for other crops in the northern regions, like sugar beets and rice, will also be switched to corn. On the other hand, area planted to soybeans, which traditionally competes with corn in the Po valley, should remain stable after the dramatic drop reported last year. As a matter of fact, the aid per hectare actually paid this year to the oilseed growers will be much higher than last year, due to the absence of penalties (as the overall EU oilseed area in 1999 did not exceed the ceiling established by the Blair House Agreement). This projection for corn area, however, could be adversely affected by the recent domestic market developments, consequent to the avian flu outbreaks (see IT0007 dated 1/21/2000), which cut dramatically poultry production in many areas of northern Italy. Corn prices, as a result, have declined in past weeks, and if the situation does not improve substantially in the coming weeks, some growers could decide to change their planting intentions, shifting some acreage to alternative crops, presumably soybeans.

Area planted to durum wheat is preliminarily indicated to have grown marginally, thus placing total acreage around the national ceiling eligible for the supplementary compensatory payments (667,000 lire/hectare, or about \$342) of 1,646,000 hectares. This area expansion is reported in the regions of both central and southern Italy, and even in Sicily, where the prolonged drought during last fall raised concerns about the timely completion of planting operations.

Acreage planted to rice is expected to remain stable, or possibly decline slightly. Increased planted area of Indica varieties (which totaled over 45,000 hectares in 1999), offset a likely further decline of area planted to Japonica varieties. The domestic rice market continues to be depressed due mainly to competition from EU-affiliated Overseas Countries and Territories, as well as from other rice exporting countries. Normally, about 65 to 70 percent of the Italian crop is exported. Domestic paddy rice prices, which in only two years (between 1995/96 and 1997/98) had dropped by about 28 percent, continued to decrease both in 1998/99 and in the first months of 1999/2000. Current intervention stocks of paddy rice, as a consequence, have reached about 170,000 tons, with limited prospects for a substantial improvement of the situation in the coming months.

CONSUMPTION

Domestic human consumption of grain products, such as bakery products, confectionary products, pasta and milled rice is fairly stable, with minor changes for individual products. Feed use of wheat (basically soft wheat) is expected to remain at about one million tons, after the drop reported in 1997/98, consequent to the huge domestic corn supplies, but further erosion could take place if corn prices decline.

Most of the durum wheat supply is used to produce pasta. Durum production continued to grow through 1997 encouraged by expanding export demand (over 1.25 MMT in 1997/98), as well as slightly rising domestic consumption. In 1998, however, according to industry sources, domestic pasta production decreased slightly to 2,880,000 tons, or 1.4 percent less than in the previous year, due to both reduced exports and domestic consumption (from 28.5 to 28.2 kilograms per capita). This trend has been confirmed in 1999, while expectations for 2000 do not indicate significant changes.

The use of NGFI's in Italy, always marginal, has continued to decline further in the recent years. Imports of corn gluten feed dropped in 1998 to 196,000 tons (from 252,000 tons in 1997), mainly coming from the U.S., and 141,000 tons in January-September 1999. Imports of grain distilling, too, which totaled 67,000 tons in 1997, declined to 48,000 tons in 1998 and 35,000 tons in January-September 1999. The use of other NGFI's, such as manioc and sugar beet pulps, is minimal in Italy, and is not expected to grow in the near future.

TRADE

Total imports of soft wheat are expected to rise to 5.3 MMT in 1999/2000 and 5.5 MMT in 2000/01, mainly due to the continued decline in domestic crop production, which now accounts for less than 40 percent of total domestic supplies. During 1998/99, about 81 percent of Italy's imports came from other EU countries, mainly France. Imports from the United States, which grew to 308,000 tons in 1998/99, are expected to further increase to about 350,000 tons in 1999/2000, mainly thanks to competitive U.S. export prices relative to Canadian wheat, as well as improved quality standards reported by traders and millers. The major competitor with U.S. wheat in the Italian market remains Canada, while imports from Australia are expected to drop, due to quality worsening reported by the users. Quality has also been a major constraint affecting imports of U.S. bread wheat according to many traders and millers. In their view, U.S. wheat shipped to Italy (mainly DNS used to produce traditional Italian holiday cakes as well as other typical bakery products) had been less strong and had less stability than the Canadian wheat, or even some German high quality wheats. This year, however, end users are reporting better U.S. wheat quality, thus creating the basis for a consolidation of the U.S. market share into this important outlet.

Italian exports of bread wheat flour in 1999/2000 are expected to further decline to about 1.1 MMT (grain equivalent), or 14 percent lower than in 1998/99, when flour exports reversed their upward trend. This decline is mainly due to reduced import requirements from certain northern African countries, in particular Algeria, where the local milling capacity has developed significantly in recent years. The leading destination, however, remains Yemen, which in 1998/99 absorbed over 500,000 tons of Italian flour, or more than half than total Italian exports. In the long term, however, prospects of Italian soft wheat flour exports are not bright, being more and more tied to the contracts with Yemen, where the local situation could evolve as it has in Algeria, with new mills coming soon on line. Semolina exports are now negligible and are not expected to resume in the near future.

Italian durum wheat imports in 1999/2000 are expected to increase substantially, in line with the domestic crop fluctuations. Shipments from the United States, which declined in 1998/99 to 208,000 tons, are also anticipated to rise significantly in MY 1999/2000. A large share of U.S. durum wheat exported to Italy (about 180,000 tons this year) is represented by "desert durum" grown in southern California and Arizona. Desert durum is increasingly popular with the leading Italian pasta manufacturers who use it as a main ingredient to produce top quality pasta. After the bankruptcy of the Italgrani trading company, which was acting as sole distributor of Canadian durum, the CWB decided to "liberalize" durum exports to Italy, in the hope of increasing their shipments to this market. Most observers, however, believe that this action will not change the Canadian share of the Italian market, given the increasing preference shown by the pasta makers to the competing U.S. durum. Italian pasta exports, after reaching record high levels in 1997/98, declined slightly in 1998/99, mainly due to the cancellation of many export contracts to Russia. Exports to the U.S. decreased slightly in 1998/99, but are expected to drop further in MY 1999/2000, as Barilla, the leading Italian pasta manufacturer, established a new pasta plant in Iowa, displacing almost entirely their shipments to the United States.

Italian rice exports, after the partial recovery reported in 1998/99, are expected to drop again in 1999/2000 in line with market constraints. EU commercial subsidized sales to third countries cannot exceed about 139,000 tons of milled rice (based on WTO commitments), while food aid is not anticipated to be over 60,000 tons. Shipments to other EU countries are strongly affected by competition from cheap imports from other suppliers (facilitated by Uruguay Round concessions). The rice trade numbers included in our PS&D table do not include temporary rice imports (approximately 28,000 tons milled equivalent in 1998/99, mainly long grain B varieties imported from Thailand) or re-exports (about 31,000 tons in 1998/99).

POLICY

As mentioned above, the full implementation of Agenda 2000, unifying the aids per hectare for grains and oilseeds, is expected in the medium term to penalize the oilseed sector. The result could be an increase of area planted to certain grains, such as bread wheat and barley, which have been neglected by the farmers of the Po valley in the recent years. In view of the forthcoming WTO negotiations, the Italian grain sector, and in particular the grain trader association, has recently submitted proposals to further liberalize the sector which include; 1) a reduction of the threshold price; 2) an increase of the quota for high quality wheat (currently 300,000 tons, EU wide), and its expansion to include wheat of medium-high quality; and 3) an access to current quota for corn and sorghum for Spain and Portugal to all EU member countries. (See Rome 00927 dated 2/14/00).

The most important pending farm policy issue, however, relates to the reform of the CAP in the rice sector. The Commission proposal to phase out the current intervention mechanism is under discussion with the Italian rice sector. Reportedly, the Italian Minister of Agricultural, supported by both the rice grower and miller associations, could accept its demand, but only if the following conditions are met: 1) the intervention is replaced by a private storage aid in case of poor domestic market conditions; 2) the aid per hectare for rice is raised by about one third, to the level currently in force for corn; and 3) the EU customs duty is increased for the current 210 Euros per ton to the maximum level of 264 Euros, allowed under WTO. The negotiations for the reform of the rice CAP, in any case, will be affected by discussions with third countries on a new EU rice import regime, particularly since a phase-out of the intervention price would remove a key basis for calculating the import duty, provided for under the Uruguay Round.

MARKETING

Export opportunities for U.S. both bread and durum wheat into the Italian market are good, in view of the continued strong demand from the domestic industry and the reduced demand for other wheats (from Australia and Mexico, in particular), whose quality has not been considered satisfactory from the end users. Quality, in any case, continues to play a major role for the Italian millers, who are ready to pay more for U.S. wheat, provided it has specific characteristics.

Imports of U.S. dry pulses, after the recovery reported in 1997/98, declined in 1998/99, due mainly to strong competition from Chinese dry beans, but are expected to rise again in 1999/2000, thanks to more competitive export prices. The trend toward private labeling of bulk imports makes price an increasingly important market factor. U.S. marketing efforts in this area should target consumers emphasizing the better quality of the U.S. pulses, thus justifying a higher retail price.

SECTION II. TRADE TABLES

The following table shows Italian grain trade during the last marketing years.

(1,000 MT; source:ISTAT)

Bread Wheat Imports (July-June)	1996/97	1997/98	1998/99
France	3,318	2,402	2,419
Germany	398	883	427
UK	526	501	580
Austria	138	539	447
Other EU	347	423	277
Total EU	4,727	4,748	4,150
US	191	260	308
Hungary	6	192	165
Canada	196	288	282
Australia	92	124	75
Others	41	44	129
TOTAL	5,253	5,656	5,109

The following tables show Italian grain trade during the last marketing years.

(1,000 MT; source:ISTAT)

Durum Wheat Imports (July-June)	1996/97	1997/98	1998/99
France	370	121	375
Greece	179	252	116
Other EU	158	165	34
Total EU	707	538	525
Turkey	0	65	98
US	286	396	208
Canada	159	362	187
Mexico	53	227	26
Australia	86	88	57
Others	30	115	4
TOTAL	1,303	1,791	1,105

The following tables show Italian grain trade during the last marketing years.

(1,000 MT; source:ISTAT)

Barley Imports (October-September)	1996/97	1997/98	1998/99
France	433	345	468
UK	179	158	87
Other EU	72	77	52
Total EU	684	580	607
Others	0	0	0
TOTAL	684	580	607

The following tables show Italian grain trade during the last marketing years.

(1,000 MT; source:ISTAT)

Corn Imports (October-September)	1996/97	1997/98	1998/99
France	402	246	1,280
Other EU	20	2	143
Total EU	422	248	1,423
U.S.	29	19	12
Others	21	44	7
TOTAL	472	311	1,442

The following tables show Italian grain trade during the last marketing years.

(1,000 MT; source:ISTAT)

Rice Imports (January- December) (Milled equivalent)	1996	1997	1998
France	7	6	1
Greece	6	29	18
Other EU	3	4	6
Total EU	16	12	25
Others	7	12	8
Total	23	51	33

The following tables show Italian grain trade during the last marketing years.

(1,000 MT; source:ISTAT)

Rice Exports (January-December) (Milled equivalent)	1996	1997	1998
France	117	118	118
Germany	73	72	74
UK	68	70	60
Other EU	139	121	118
Total EU	397	381	370
Switzerland	15	15	11
Poland	16	15	0
Hungary	12	12	7
Slovakia	16	22	10
Jordan	14	9	0
Israel	3	6	2
Others	69	133	157
TOTAL	542	593	557

The following tables show Italian grain trade during the last marketing years.

(1,000 MT; source:ISTAT)

Bread Wheat Flour Exports (July-June)	1996/97	1997/98	1998/99
EU	9	12	13
Albania	112	72	54
Croatia	28	6	6
Georgia	84	89	28
Algeria	346	302	35
Libya	70	123	103
Yemen	197	248	502
Others	170	110	142
TOTAL	926	962	883

The following tables show Italian grain trade during the last marketing years.

(1,000 MT; source:ISTAT)

Durum Wheat Semolina Exports (July-June)	1996/97	1997/98	1998/99
EU	21	22	36
Algeria	0	4	14
Others	19	18	19
Total	40	44	69

The following tables show Italian grain trade during the last marketing years.

(1,000 MT; source:ISTAT)

Pasta Exports (July-June)	1996/97	1997/98	1998/99
France	153	164	171
Germany	152	190	216
UK	104	109	133
Other EU	154	141	161
Total EU	563	604	681
US	167	180	174
Japan	70	71	71
Russia	108	95	15
Others	295	303	285
TOTAL	1,203	1,251	1,226